

**Figure 1. Nepal: Recent Macro-Economic Developments**

Real GDP growth rebounded to 7.5 percent in 2016/17, after slowing to 0.4 percent in 2015/16 due to the earthquakes and trade disruption.

**Real GDP Growth**

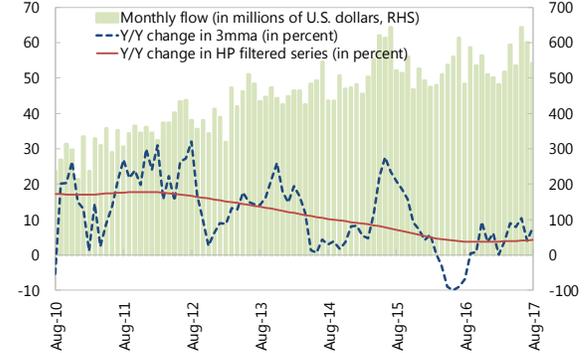
(Percent change)



Source: Nepal Central Bureau of Statistics.

Recorded remittances amounted to US\$542 million in August and a record US\$6.6 billion in 2016/17. During the past 3 months they were up 8 percent from a year ago.

**Remittances**

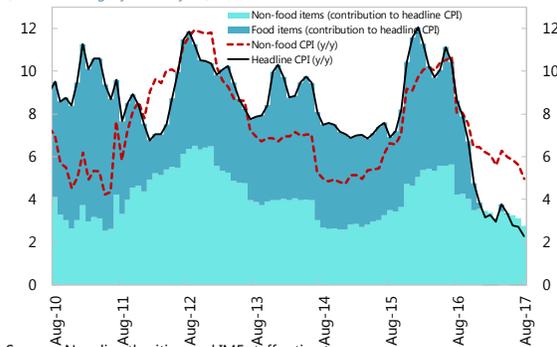


Sources: Nepali authorities; and IMF staff estimates.

Inflation fell to a multi-year low of 2.3 percent (y/y) in August. Non-food inflation slowed to 4.9 percent.

**Consumer Price Inflation**

(Percent change, year-on-year)

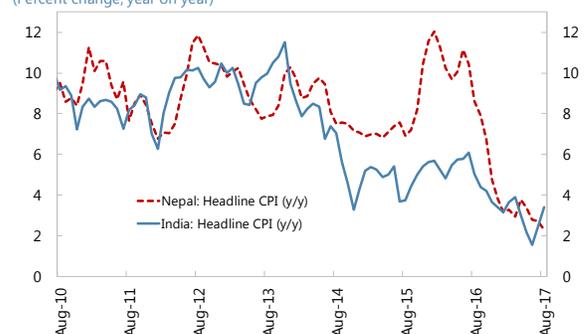


Sources: Nepali authorities; and IMF staff estimates.

Nepal's inflation is currently around the level in India.

**Consumer Prices in Nepal and India**

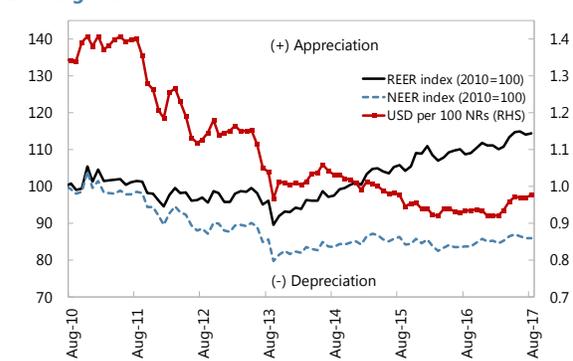
(Percent change, year on year)



Sources: Nepali authorities, Haver analytics; and IMF staff estimates.

The real effective exchange rate of the Nepali rupee is about 16 percent above the 2010-2014 average.

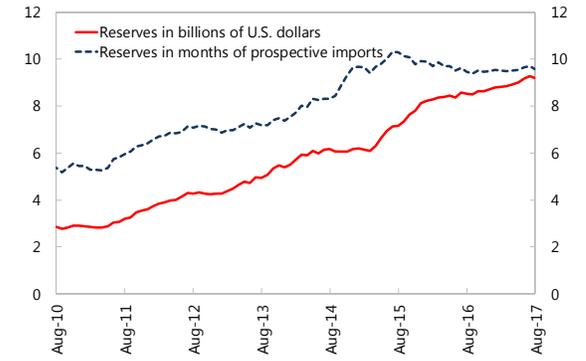
**Exchange Rates**



Sources: Nepali authorities; and IMF staff estimates.

Central bank reserves (including gold and SDR holdings) were at US\$9.2 billion in mid-August, covering about 10 months of prospective imports.

**Central Bank Gross Official Reserves**



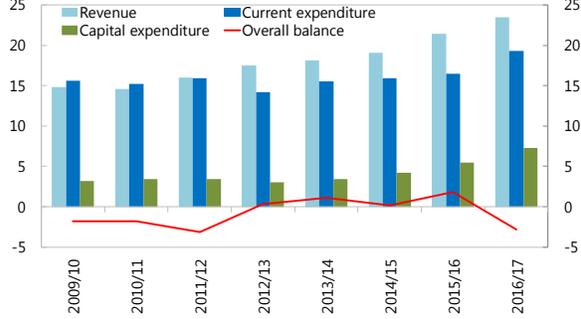
Sources: Nepali authorities; and IMF staff estimates.

**Figure 2. Nepal: Recent Fiscal Developments**

After 4 years of surpluses, rising current and capital spending led to a deficit of 2.8 percent of GDP in 2016/17.

**Fiscal Performance**

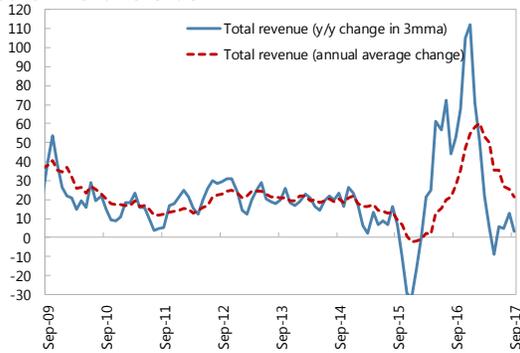
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.  
Note: Overall balance: incurrence of net liabilities (incl. government deposits at NRB).

FCGO data indicates that revenues rose by 3 percent (year-on-year) during the last 3 months.

**Government Revenue**

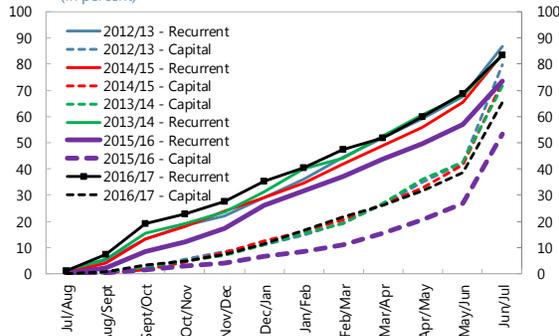


Source: Nepali authorities.

Capital spending in FY16/17 was NR 204 billion, up 66 percent from last year. But because of the ambitious budget, the execution rate remained low, at 65 percent.

**Budget Execution Rate**

(in percent)

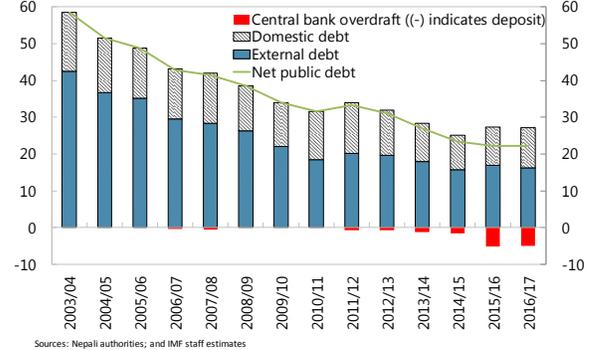


Source: Nepali authorities.

Reflecting the growth rebound, Nepal's net public debt remained at 22 percent of GDP in 2016/17.

**Public Debt**

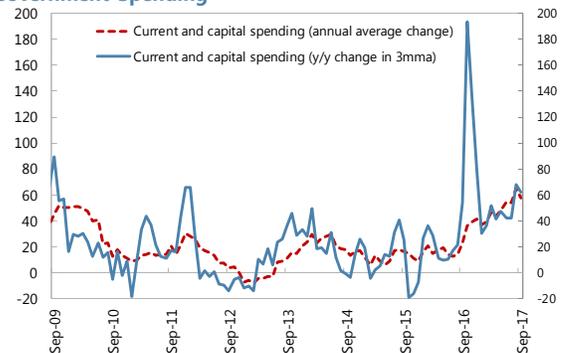
(In percent of GDP)



Sources: Nepali authorities; and IMF staff estimates.

Government spending rose 62 percent year-on-year during the last 3 months on a surge in capital spending in July and transfers to local governments in August.

**Government Spending**

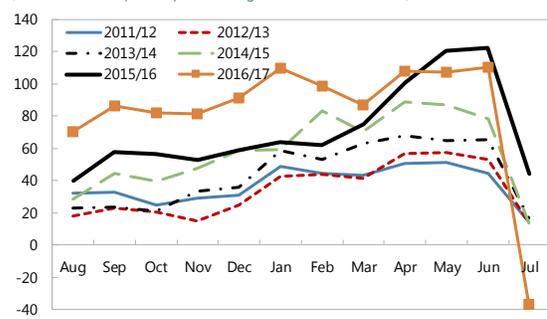


Source: Nepali authorities.

A large drawdown of deposits in July contributed to net domestic financing of NR 37 billion (1.4 percent of GDP) in FY16/17.

**Cash Accumulation in the Treasury**

(In billions of Nepali Rupees, change since start of the FY)



Source: Nepali authorities.

Note: Increase in government deposits at the NRB plus decline in domestic debt.

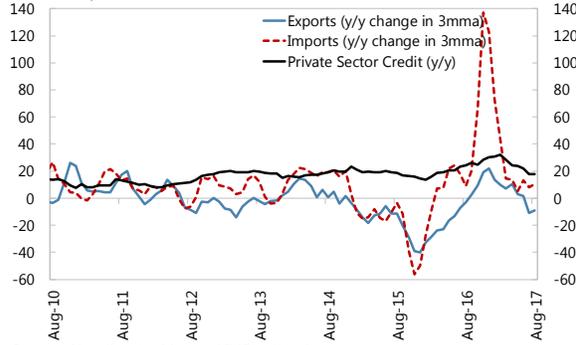
**Figure 3. Nepal: Recent External and Monetary Sector Developments**

Imports are up 10 percent from a year ago but exports are down 9 percent. Private credit growth eased to 18 percent in August, from a 7-year high of 32 percent in February.

The growth of imports is raising the trade deficit but remittances continue to support the current account.

**Trade and Private Sector Credit**

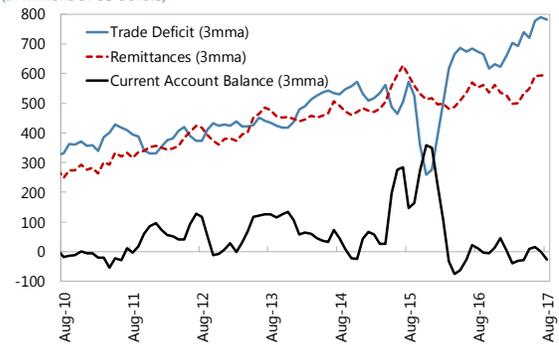
(Growth, in percent)



Sources: Nepali authorities; and IMF staff estimates.

**Current Account Balance**

(In millions of US dollars)



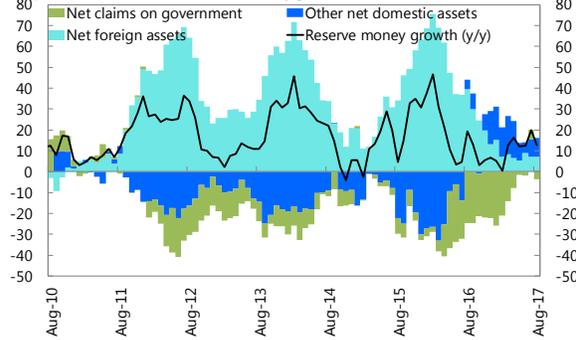
Source: Nepali authorities.

Reserve money rose by 13 percent (y/y) in August; the contribution from NRB Net Foreign Assets has fallen.

Slowing private sector credit caused the growth of broad money (M2) to decelerate to 16 percent (y/y) in August.

**Central Bank Balance Sheet**

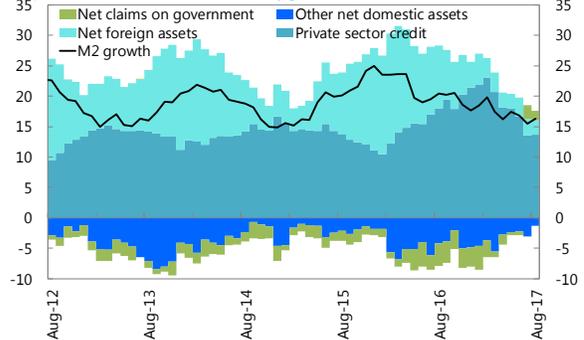
(In percent, contribution to reserve money growth)



Sources: Nepali authorities; and IMF staff estimates.

**Broad Money Growth**

(In percent, contribution to broad money growth)



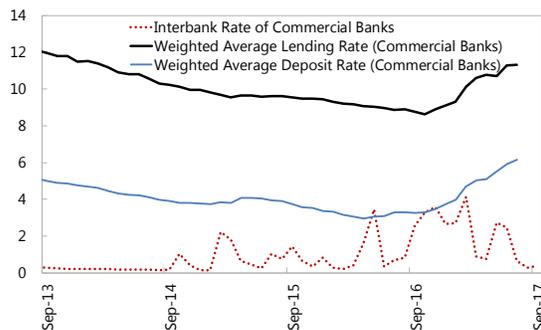
Sources: Nepali authorities; and IMF staff estimates.

Commercial banks' interest rates are trending up but the interbank interest rate remains very low.

Stock prices are about 12 percent down from the year-ago peak. Bank stocks are lagging more (minus 20 percent).

**Nepal: Interest Rates**

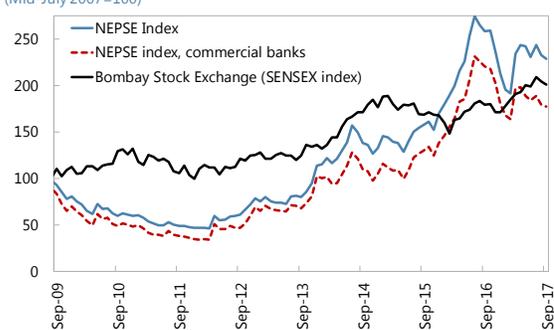
(Percent)



Source: NRB

**Stock Market Performance in Nepal and India**

(Mid-July 2007=100)

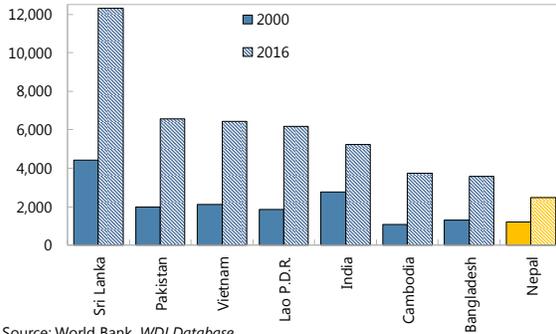


Sources: Nepali authorities; and IMF staff estimates

**Figure 4. Nepal and its Peers: Growth, Exports, FDI, Remittances and Human Development**

Nepal's growth has lagged peers and per capita GDP remains lower than in other Asian countries.

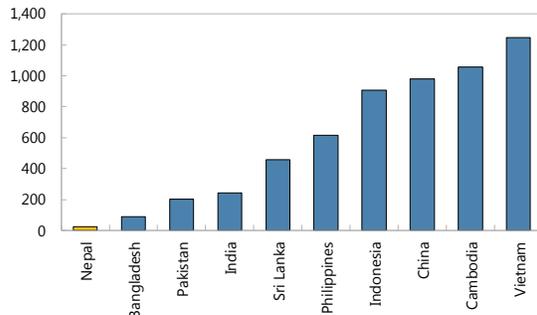
**Per Capita GDP (PPP)**  
(In current international dollars)



Source: World Bank, WDI Database.

Inflows of foreign direct investment (FDI) in Nepal remain small. As a result, the stock of FDI is much smaller than in peer countries.

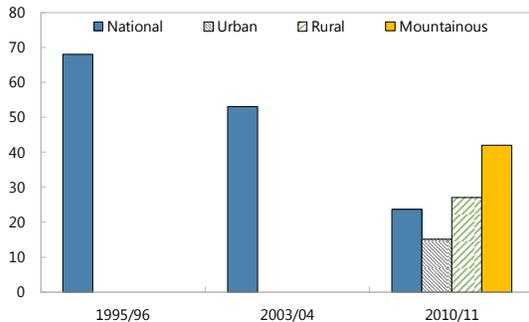
**FDI Stocks in 2016**  
(US\$ per capita)



Source: UNCTAD data

Poverty declined to 24 percent of the population in 2010/11, thanks in part to the growth of remittances. Poverty is higher in rural and mountainous areas.

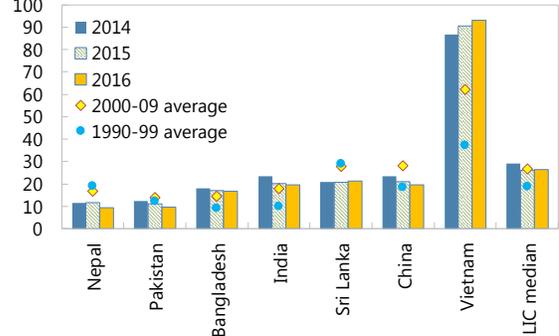
**Poverty rate, 1995/96-2010/11**  
(In percent of the population)



Source: Nepal Central Bureau of Statistics.

Nepal's exports have been growing slower than GDP and are lower than in most peers.

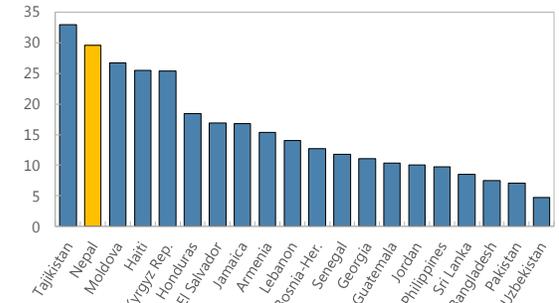
**Exports of Goods and Services**  
(In percent of GDP)



Sources: IMF, World Economic Outlook; and IMF staff estimates.

On the other hand, compared to other countries, Nepal has high remittances.

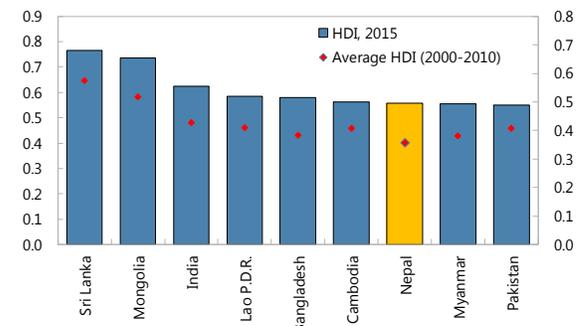
**Inflows of Remittances, Selected Countries, 2015**  
(In percent of GDP)



Sources: World Bank, Remittances Data; IMF, World Economic Outlook.  
Note: Observation for Nepal is for 2015/16.

The decline in poverty is reflected in an improvement in Nepal's UNDP Human Development Index.

**Human Development Index (HDI)**  
(Index number)



Source: UNDP, Human Development Report 2016.

Table 1. Nepal: Monthly Data for Key Macroeconomic Indicators.

	2015/16					2016/17					Year-on-year change, in percent				
	June	July	Aug	Sep	Total	June	July	Aug	Sep	Total	June	July	Aug	Sep	Total
	FY2015/16					FY2016/17					2017			FY2016/17	
Inflation (end of period, in percent)	11.1	10.4	8.6			2.8	2.7	2.3							
Imports (in US\$ m)	692	712	572		6,168	756	777	649		8,134	9	9	13		32
Non-oil imports (in US\$ m)	594	614	506		5,382	619	659	555		6,801	4	7	10		26
Oil imports (in US\$ m)	98	98	66		786	138	118	94		1,333	41	20	43		70
Exports (in US\$ m)	60	72	64		643	60	54	64		672	0	-25	0		4
Remittances (in US\$ m)	560	613	485		6,253	644	601	542		6,556	15	-2	12		5
Government revenue (in NR bn)	46	87	41	41	483	65	84	47	43	612	41	-3	14	6	27
Government expenditure (in NR bn)	48	136	6	42	468	77	175	68	55	720	61	29	975	32	54
Current expenditure (in NR bn)	35	80	6	40	357	55	91	68	52	516	58	14	986	29	45
Capital expenditure (in NR bn)	13	56	0	2	112	22	84	0	4	204	70	50	237	107	83
	2015/16					2016/17					Year-on-year change, in percent				
	Stocks			Flow		Stocks			Flow		2017			Flow	
	June	July	Aug	FY2015/16	June	July	Aug	FY2016/17		June	July	Aug	FY2016/17		
Central bank reserves (in US\$ m)	8,374	8,574	8,524	1,429	9,162	9,264	9,196	690		9	8	8			
Credit to the private sector (in NR bn)	1,641	1,692	1,711	318	1,998	1,997	2,017	305		22	18	18			-4

Source: Nepali authorities.